



March 5, 2010

Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

**Subject: Comments on Part 704 Corporate Credit Unions**

Dear Ms. Rupp:

I am writing to take advantage of the opportunity to comment on NCUA's proposed lengthy and complex amendments to Part 704. These proposed amendments would make major revisions regarding corporate credit union capital, investments, asset-liability management, governance, and credit union service organization (CUSO) activities.

There are several provisions that, if enacted as proposed, will make it essentially impossible for corporate credit unions to operate in a viable fashion. Many of these provisions will ultimately have harmful effects on natural person credit unions (NPCUs).

I urge the NCUA to withdraw the proposal as drafted so that a more cohesive and feasible set of rules can be crafted. I urge that the crafting of the new set of rules be undertaken with a dedicated committee of persons representing the NCUA, Corporate Credit Unions (CCUs), NPCUs, Credit Union Leagues, and Credit Union organizations. I believe that there should be another round of proposed rule making for Part 704, with another 90 day comment period, before issuing final rules to govern corporate credit unions.

My comments are presented as follows and focus on the apparent result of this proposed regulation which is that NPCUs will have increased costs, fewer if any competitive investment options within the credit union community, lower rates for deposits, and fewer credit union owned services. NPCUs will be forced to seek out alternative services which are more costly, less reliable, more time and labor intensive, and outside the credit union structure. It appears that at best a CCU would only be viable, or even exist, as a CUSO. They would rapidly become noncompetitive and unable to increase or improve services with third party providers because of the stipulation that NCUA have free access to books, software, records, and operations.

**704.8(c) Penalty for early withdrawals on corporate certificates**

This proposal should be removed because of the penalty on early withdrawals on longer termed investable funds, liquid instruments. Credit unions will be forced into the choice of finding less expensive liquid instruments somewhere else.

**704.8(d), (e), (f) NEV Sensitivity analysis**

There are a number of analyses that demonstrate that the proposed limitations of the required NEV tests do not allow the corporate credit union to generate sufficient interest margin to build

retained earnings to meet the proposed capital requirements. When implemented this proposed change will assuredly lead to fees being charged to me, an adverse impact on NPCUs. CCUs should be allowed to make sufficient income from the balance sheet to grow and invest in the innovation necessary for the benefit of all members of the CCU, obviously with an acceptable level of credit and interest rate risk.

#### 704.8(h) Weighted average asset life

I look to the CCU as a liquidity provider, both for short and long term needs. The proposed limitations placed on asset maturities or average life limitations may severely impact my ability to obtain term liquidity when and if I need it. I will have to look elsewhere. My choices appear to be FHLB, join and put capital in them, or banks. Neither are inexpensive solutions to a continual need.

#### 704.6(c), (d) Concentration limits

CCUs will be challenged, and that is being generous, to invest short term liquidity at reasonable rates. The domino effect is that the overnight rates will be reduced. Something I can ill afford. There should be acceptable definitions of deposits as listed in this section so that Federal Funds or Federal Funds transactions in the exemption from sector concentration limits can be included. Other limits should also be revisited and determined with a better mix of acceptable risk and safety. As written the proposed regulation errors on the side of safety to the exclusion of being viable.

#### 704.19 Disclosure of executive and director compensation

While I agree that the salaries of 'senior executives' should be available to members, I would anticipate that a 'senior executive' is any officer reporting directly to the President/Chief Executive Officer and the rule should specify this applies to the President/CEO, CFO or chief financial officer, and then those who report directly to the President/CEO only. This could make recruitment from external sources difficult. Corporate credit unions need the flexibility to attract employees with the necessary skills, background, and leadership to manage a corporate credit union.

#### 704.8 (k) Overall limit on business generated from individual credit unions

A NPCU should be limited in its investment in a corporate credit union. The current limit proposed may force corporates into short term borrowing with less favorable terms to the NPCU. This could result in the corporate not being able to realize reasonable earnings by forcing them to maintain more cash. My credit union needs reasonable priced short-term liquidity. This proposal doesn't seem to provide that service to us. How about a higher borrowing limit as one possible solution?

#### 704.11 Corporate Credit Union Service Organizations

These comments follow the comments in paragraph four on page one of this letter. The changes proposed would be a detriment to any future ability of the corporates to provide quality, competitive products and services. These are services and products that NPCUs need and value in the corporate system.

These are the major areas of our concerns. However the suggested inputs from the CCUL, WesCorp, and the credit union organizations all have valid, in-depth critiques and suggestions. I urge the NCUA to realize that even though these indicated inputs are not listed or detailed here, these suggestions are supported by reference.

The solution may be either a single corporate credit union, four with one in each time zone, one with satellites that support regions of the country, a smaller number of the current organization, or any of the other thousands of permutations. However I believe that a viable corporate credit union organization would not be possible under the current proposed regulation and therefore this regulation needs to be re-thought and re-designed for the betterment of the credit union industry.

Thank you,

A handwritten signature in dark ink, appearing to read "Robert A. McNamara Jr.", with a large, stylized flourish at the end.

Robert A. McNamara Jr.  
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